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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of) CC Docket Nos. 97-21 and 96-45
USAC Plan of Reorganization) DA 98-1336

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AUG 12 1998

REPLY COMMENTS

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Universal Service Administrative Company (USAC) and the Schools and Libraries Corporation (SLC) hereby file reply comments regarding the Commission's *Public Notice* in the above captioned matter.¹ These reply comments will focus on two issues: rationale for the changes to the High Cost/Low Income Committee proposed in the plan of reorganization filed with the Commission on July 1, 1998, and a response to the appeal process proposed in the *Public Notice*.

I. Rationale for the Change to the High Cost/Low Income Committee

One of the goals of the reorganization is to effectively administer each of the programs by preserving the unique missions and expertise of each company and program. The Committee structure is one of the mechanisms in the proposed reorganization that will help to ensure that this goal is accomplished. Two new committees are proposed to recognize that USAC will be responsible for two new programmatic areas. The requirement of a Super Majority vote of the USAC board to modify the programmatic budgets and functions is another mechanism put in place to preserve the unique missions of the various programs while still providing the USAC board with oversight responsibility over all programs and functions.

¹ Common Carrier Bureau Seeks Comment on Administration of Federal Universal Service Support Mechanisms, *Public Notice*, CC Docket Nos. 97-21 and 96-45, DA 98-1336 (rel. July 15, 1998).

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The other primary goal of the reorganization is to increase efficiency and decrease the overhead costs of administering the program. The plan looks to streamline and consolidate all possible areas as long as the programs can continue to be effectively administered. One area identified for streamlining is the size of the committees. The USAC and SLC boards believe that it is important to have committees of a workable size (7-8 people maximum). The boards also believe it is important to keep the size of all three committees equivalent. The Super Majority voting procedure increased the importance of bringing the size of the committees to seven or eight members and subsequently keeping the size of the committees equivalent. If the size of the High Cost/Low Income Committee remains in its current form—10 members—it will render the oversight of the USAC board by Super Majority vote essentially meaningless and will put the High Cost/Low Income Committee at an advantage over the other committees.

II. FCC Oversight

The boards of the USAC and SLC recognize that the new USAC must continue to be accountable to the Commission. We fully support either the Common Carrier Bureau or the Commission having the authority to review decisions or administrative actions on its own motion. We also understand that the FCC establishes the policy and that it is USAC's job to efficiently administer the programs following the rules and policies established by the Commission under its authority from Congress.

The USAC and SLC request that the Commission clarify that internal administrative decisions are not subject to appeal to the Commission. We agree with the comments of Intermedia Communications that "if carriers were free to challenge, for

example, a decision of the USAC CEO to fire a division head, it would significantly impair USAC's ability to function efficiently and fairly."

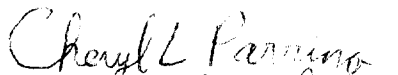
In most instances, it is important for the appeals and the issues raised in those appeals to be resolved quickly. We recommend that appeals be processed expeditiously, whatever the process that is adopted. USAC recognizes that in its administration of the program, carriers or beneficiaries may not agree with the decisions made by the staff. We encourage the carrier or beneficiary to bring the issue to the attention of the division head or the USAC CEO to see if the issue can be resolved quickly without a formal appeal.

It seems to unnecessarily complicate the appeal process by requiring that the appeal go to the board committee or full board before it goes to the Commission, however, the carrier should have the option of bringing any issue to the full USAC board. To the extent that the Commission finds that USAC has not exceeded its authority and has acted within the Commission's rules, we would hope that the Commission would uphold USAC's administrative decisions without considering the merits of the appeal. To do otherwise would make it extremely difficult for USAC to operate in an efficient manner and serve the best interests of the public.

III. Conclusion

We are committed to implement the reorganization in an efficient and expedient manner. The USAC and SLC thank the Commission for being given the opportunity to respond to the comments filed.

Respectfully Submitted,


Cheryl L. Parrino
USAC, CEO

on behalf of the
Universal Service Administrative Company (USAC)
and Schools and Libraries Corporation (SLC)

August 12, 1998

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments are being served on these parties on this 12th day of August by mail or hand delivery, to the persons listed below.

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